

TOWNSHIP OF CLEARWATER
KALKASKA COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Clearwater	County Kalkaska
Audit Date 3/31/04	Opinion Date 11/30/04	Date Accountant Report Submitted to State: 1/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

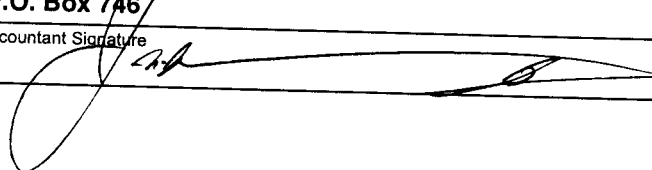
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746		City Roscommon	State MI
Accountant Signature 		ZIP 48653	Date 1/28/05

TOWNSHIP OFFICIALS

Supervisor

David Grimm

Clerk

Julie Vance

Treasurer

Sheryl Grimm

TRUSTEES

Dwight Seaman

Elmer Veen

TOWNSHIP OF CLEARWATER

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

November 30, 2004

Township Board
Clearwater Township
Kalkaska County, Michigan

We have audited the general purpose financial statements of the Township of Clearwater, County of Kalkaska as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Clearwater, County of Kalkaska, at March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 2004, on our consideration of Clearwater Township's internal control over financial reporting and our test of its compliance with certain provision of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statement and individual fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Township of Clearwater, County of Kalkaska. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF CLEARWATER
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
ASSETS			
Cash and investments	\$ 361,145	\$ 133,730	\$ 146,013
Taxes receivable	82,734	78,105	-0-
Due from other funds	8,284	-0-	-0-
Property, plant and equipment	-0-	-0-	-0-
Total Assets	<u>\$ 452,163</u>	<u>\$ 211,835</u>	<u>\$ 146,013</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 7,891	\$ 27,436	\$ -0-
Due to other funds	-0-	8,284	-0-
Undistributed collections	-0-	-0-	146,013
Total Liabilities	<u>7,891</u>	<u>35,720</u>	<u>146,013</u>
Fund Equity:			
Investment in general fixed assets	-0-	-0-	-0-
Fund balance - Undesignated	444,272	176,115	-0-
Total Fund Equity	<u>444,272</u>	<u>176,115</u>	<u>-0-</u>
Total Liabilities and Fund Equity	<u>\$ 452,163</u>	<u>\$ 211,835</u>	<u>\$ 146,013</u>

See Accompanying Notes to Financial Statements

Account Groups

<u>General Fixed Assets</u>	<u>Total (Memorandum) (Only)</u>
\$ -0-	\$ 640,888
-0-	160,839
-0-	8,284
<u>974,772</u>	<u>974,772</u>
<u>\$ 974,772</u>	<u>\$ 1,784,783</u>
\$ -0-	\$ 35,327
-0-	8,284
<u>-0-</u>	<u>146,013</u>
<u>-0-</u>	<u>189,624</u>
974,772	974,772
<u>-0-</u>	<u>620,387</u>
<u>974,772</u>	<u>1,595,159</u>
<u>\$ 974,772</u>	<u>\$ 1,784,783</u>

TOWNSHIP OF CLEARWATER
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Taxes and assessments	\$ 61,679	\$ 78,140	\$ 139,819
Intergovernmental	164,916	-0-	164,916
Charges for services	39,178	-0-	39,178
Licenses and permits	3,670	-0-	3,670
Interest	4,705	2,673	7,378
Other	35,543	8,010	43,553
Total Revenues	<u>309,691</u>	<u>88,823</u>	<u>398,514</u>
Expenditures:			
General government	189,351	-0-	189,351
Fire	-0-	120,452	120,452
Public safety	15,000	-0-	15,000
Public works	10,150	-0-	10,150
Health and welfare	1,797	-0-	1,797
Recreation	26,000	-0-	26,000
Total Expenditures	<u>242,298</u>	<u>120,452</u>	<u>362,750</u>
Excess:			
Revenue over (under) expenditures	<u>67,393</u>	<u>(31,629)</u>	<u>35,764</u>
Other financing sources (uses):			
Operating transfers in	-0-	30,000	30,000
Operating transfers (out)	(30,000)	-0-	(30,000)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>30,000</u>	<u>-0-</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other Uses	37,393	(1,629)	35,764
Fund Balance - April 1	<u>406,879</u>	<u>177,744</u>	<u>584,623</u>
Fund Balance - March 31	<u>\$ 444,272</u>	<u>\$ 176,115</u>	<u>\$ 620,387</u>

See accompanying notes to financial statements

TOWNSHIP OF CLEARWATER
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED MARCH 31, 2004

		General Fund		Variance
		Budget	Actual	Favorable (Unfavorable)
Revenues:				
	Taxes and assessments	\$ 61,000	\$ 61,679	\$ 679
	Intergovernmental	112,000	164,916	52,916
	Charges for services	32,000	39,178	7,178
	Licenses and permits	2,700	3,670	970
	Interest	5,000	4,705	(295)
	Other	2,000	35,543	33,543
	Total Revenues	214,700	309,691	94,991
Expenditures:				
	General government	251,800	189,351	62,449
	Fire	-0-	-0-	-0-
	Public safety	15,000	15,000	-0-
	Public works	13,000	10,150	2,850
	Health and welfare	2,600	1,797	803
	Recreation	34,400	26,000	8,400
	Total Expenditures	316,800	242,298	74,502
Excess:				
	Revenue over (under) expenditures	(102,100)	67,393	169,493
Other financing sources (uses):				
	Operating transfers in	-0-	-0-	-0-
	Operating transfers out	(20,000)	(30,000)	(10,000)
	Total Other Financing Sources (Uses)	(20,000)	(30,000)	(10,000)
Excess:				
	Revenue and other financing sources over (under) expenditures and other uses	(122,100)	37,393	159,493
Fund Balance - April 1		200,000	406,879	206,879
Fund Balance - March 31		\$ 77,900	\$ 444,272	\$ 366,372

See Accompanying Notes to Financial Statements

Special Revenue Funds			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 78,000	\$ 78,140	\$ 140	\$ 139,000	\$ 139,819	\$ 819
-0-	-0-	-0-	112,000	164,916	52,916
-0-	-0-	-0-	32,000	39,178	7,178
-0-	-0-	-0-	2,700	3,670	970
3,500	2,673	(827)	8,500	7,378	(1,122)
8,200	8,010	(190)	10,200	43,553	33,353
89,700	88,823	(877)	304,400	398,514	94,114
-0-	-0-	-0-	251,800	189,351	62,449
102,200	120,452	(18,252)	102,200	120,452	(18,252)
-0-	-0-	-0-	15,000	15,000	-0-
-0-	-0-	-0-	13,000	10,150	2,850
-0-	-0-	-0-	2,600	1,797	803
100,000	-0-	100,000	134,400	26,000	108,400
202,200	120,452	81,748	519,000	362,750	156,250
(112,500)	(31,629)	80,871	(214,600)	35,764	250,364
20,000	30,000	10,000	20,000	30,000	10,000
-0-	-0-	-0-	(20,000)	(30,000)	(10,000)
20,000	30,000	10,000	-0-	-0-	-0-
(92,500)	(1,629)	90,871	(214,600)	35,764	250,364
100,500	177,744	77,244	300,500	584,623	284,123
\$ 8,000	\$ 176,115	\$ 168,115	\$ 85,900	\$ 620,387	\$ 534,487

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE A: ENTITY

The Township of Clearwater is a general law township of the state of Michigan located in Kalkaska County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Clearwater (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Clearwater conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Fund Accounting - The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into three generic fund types and two account groups, as follows:

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

FIDUCIARY FUNDS

Agency - These funds are used to account for assets held in trust or as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

ACCOUNT GROUPS

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

BASIS OF ACCOUNTING - The modified accrual basis of accounting is used by all governmental funds and agency funds. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related fund liability is incurred. Modifications from the accrual basis are as follows:

a. Property tax revenue are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 15 with the final collection date of February 28 before they are added to the county delinquent tax rolls. All taxes levied on December 1, 2003 are recorded as revenue in the current year. Unpaid taxes are recorded as receivables of the respective fund.

- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year.

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost, or donated, fair market value. Expenditures which materially extend the useful life of existing properties or equipment are capitalized. Certain governmental improvements, including roads, bridges and drains are not capitalized. General fixed assets are recorded as expenditures at the time of purchase.

NOTE C - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$ 640,888	Checking and Savings Account	\$ 429,269
		CD's	211,619
Total	<u>\$ 640,888</u>	Total	<u>\$ 640,888</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$640,888 and the bank balance was \$664,906. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 58% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for Clearwater Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 384,478	\$ 384,478
Uninsured and Uncollateralized	256,410	280,428
Total Deposits	<u>\$ 640,888</u>	<u>\$ 664,906</u>

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Investments - Act 217, PA 1982, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE D - PROPERTY AND EQUIPMENT

A schedule of changes in general fixed assets is as follows:

	<u>Balance April 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance March 31</u>
Land and Building	\$ 454,739	\$ 14,355	\$ -0-	\$ 469,094
Equipment & Vehicles	<u>451,482</u>	<u>54,196</u>	<u>-0-</u>	<u>505,678</u>
Totals	<u>\$ 906,221</u>	<u>\$ 68,551</u>	<u>\$ -0-</u>	<u>\$ 974,772</u>

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE E - PARTIAL SELF-INSURANCE

The Township is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 1,016,508	100
Liability	5,000,000	-0-
Errors and Omission	4,000,000	-0-
Automobiles	3,000,000	100
Crime	10,000	-0-
Inland Marine	95,500	100
Workmen's Compensation	STATUTORY	-0-

NOTE F - TOTALS (MEMORANDUM ONLY) COLUMN

The total column on the combined statements is captioned memorandum only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE G - PENSION PLANS

Plan Description

Clearwater Township participates in a defined benefit retirement plan administered by the Michigan Municipal Employees Retirement System, (MERS). The Townships payroll for the 1 member covered by the system for the year ended December 31, 2003 was \$26,170.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE G - PENSION PLANS (CONTINUED)

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time Township employees are eligible to participate in the system. Benefits vest after ten years of service. Township employees who retire at or after age 60 with 10 years credited service or 50 with 25 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the members's 3-year final average compensation with a maximum benefit of 80% of the 3-year final average compensation. The system also provides death and disability benefits which are established by the State Statute.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually after retirement.

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE G - PENSION PLANS (CONTINUED)

All entries are based on the actuarial methods and assumption that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial methods was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ -0-
Terminated employees not yet receiving benefits	-0-
Current Employees:	
Accumulated employee contributions including allocated investment income	-0-
Employer financed	<u>16,619</u>
Total actuarial accrued liability	16,619
Net assets available for benefits, at actuarial value (Market value is \$11,099)	<u>12,155</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 4,464</u>

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	April 1, 2005
Annual required contribution (ARC)	\$ 4,056
Amortization factor used	.053632

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE G - PENSION PLANS (CONTINUED)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$ 5,588	100%	\$ -0-
2003	3,677	100%	-0-

The Township's was required to contribute \$4,056 for the year ended March 31, 2004. Payments were based on contribution calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

<u>Actuarial Valuation Date December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % Of Covered Payroll</u>
2002	\$ 7,003	\$ 7,120	\$ 117	98%	\$ 17,890	1%
2003	12,155	16,619	4,464	73%	26,170	17%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF CLEARWATER
GENERAL FUND
STATEMENT OF REVENUES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004 AND COMPARISON TO MARCH 31, 2003

	<u>2004</u>		Variance Favorable (Unfavorable)	Actual 2003
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 61,000	\$ 61,679	\$ 679	\$ 58,144
Total Taxes and Assessments	<u>61,000</u>	<u>61,679</u>	<u>679</u>	<u>58,144</u>
Intergovernmental:				
State shared revenues	110,000	162,930	52,930	177,302
State swamp tax	<u>2,000</u>	<u>1,986</u>	<u>(14)</u>	<u>1,986</u>
Total Intergovernmental	<u>112,000</u>	<u>164,916</u>	<u>52,916</u>	<u>179,288</u>
Charges for Services:				
Fees	30,000	37,656	7,656	38,193
Rent	<u>2,000</u>	<u>1,522</u>	<u>(478)</u>	<u>1,187</u>
Total Charges for Services	<u>32,000</u>	<u>39,178</u>	<u>7,178</u>	<u>39,380</u>
Licenses and Permits	<u>2,700</u>	<u>3,670</u>	<u>970</u>	<u>2,545</u>
Interest	<u>5,000</u>	<u>4,705</u>	<u>(295)</u>	<u>13,600</u>
Other:				
Miscellaneous	<u>2,000</u>	<u>35,543</u>	<u>33,543</u>	<u>11,083</u>
Total Other	<u>2,000</u>	<u>35,543</u>	<u>33,543</u>	<u>11,083</u>
Total Revenue	<u>\$ 214,700</u>	<u>\$ 309,691</u>	<u>\$ 94,991</u>	<u>\$ 304,040</u>

TOWNSHIP OF CLEARWATER
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004 AND COMPARISON TO MARCH 31, 2003

	2004		Variance	Actual
	Budget	Actual	Favorable (Unfavorable)	2003
General Government				
Township Board:				
Salaries-board	\$ 3,000	\$ 2,800	\$ 200	\$ 2,100
Payroll taxes	7,500	7,351	149	5,787
Legal fees	10,000	516	9,484	4,357
Professional services	4,000	5,666	(1,666)	2,638
Mileage	200	-0-	200	-0-
Insurance	13,000	8,002	4,998	11,579
Printing and publishing	1,000	2,464	(1,464)	1,578
Office supplies	4,500	4,759	(259)	4,299
Education/training	2,000	1,611	389	1,747
Equipment	4,000	-0-	4,000	-0-
Total Township Board	49,200	33,169	16,031	34,085
Township Supervisor:				
Salary	20,000	20,000	-0-	6,000
Wages - deputy	200	-0-	200	-0-
Professional services	2,500	-0-	2,500	-0-
Contract services	300	-0-	300	-0-
Mileage	200	-0-	200	-0-
Office supplies	1,500	590	910	26
Education/training	300	-0-	300	-0-
Equipment	2,500	1,168	1332	-0-
Total Township Supervisor	27,500	21,758	5,742	6,026
Township Assessor:				
Notices and postage	-0-	-0-	-0-	1,000
Office supplies	-0-	-0-	-0-	189
Professional services	-0-	940	(940)	12,956
Total Township Assessor	-0-	940	(940)	14,145

TOWNSHIP OF CLEARWATER
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004 AND COMPARISON TO MARCH 31, 2003

	2004		Variance	
	Budget	Actual	Favorable (Unfavorable)	Actual 2003
General Government (continued)				
Election Board:				
Services	\$ 500	\$ -0-	\$ 500	\$ 3,960
Mileage	300	-0-	300	127
Office supplies	1,000	398	602	64
Professional services	500	-0-	500	657
Printing and publishing	100	-0-	100	-0-
Education/training	200	-0-	200	150
Total Election Board	2,600	398	2,202	4,958
Township Clerk:				
Salary - clerk	10,000	10,000	-0-	8,000
Salary - deputy	8,000	6,265	1,735	6,921
Professional services	400	-0-	400	-0-
Mileage	500	276	224	201
Office supplies	500	168	332	615
Printing and publishing	200	-0-	200	392
Education/training	500	660	(160)	-0-
Equipment	500	-0-	500	2,920
Total Township Clerk	20,600	17,369	3,231	19,049
Township Treasurer:				
Salary - treasurer	12,500	12,500	-0-	12,500
Salary - deputy	5,000	4,468	532	4,309
Professional services	500	-0-	500	-0-
Mileage	600	249	351	302
Office supplies	4,000	3,043	957	942
Printing and publishing	400	2,145	(1,745)	1,669
Education/training	500	-0-	500	-0-
Equipment	500	-0-	500	-0-
Total Township Treasurer	24,000	22,405	1,595	19,722
Board of Review:				
Salaries	2,000	1,330	670	580
Mileage	-0-	80	(80)	-0-
Office supplies	-0-	2,840	(2,840)	1,154
Printing and publishing	100	28	72	-0-
Total Board of Review	2,100	4,278	(2,178)	1,734

TOWNSHIP OF CLEARWATER
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004 AND COMPARISON TO MARCH 31, 2003

General Government (continued)	2004		Variance Favorable (Unfavorable)	Actual 2003
	Budget	Actual		
Township Hall:				
Custodial wages	\$ 13,000	\$ 13,614	\$ (614)	\$ 11,306
Retirement	1,000	992	8	826
Mileage	500	-0-	500	-0-
Contract services	4,000	6,451	(2,451)	621
Supplies	3,000	703	2,297	1,868
Utilities	10,000	6,675	3,325	7,137
Repairs and maintenance	26,500	11,459	15,041	16,753
Equipment/building	3,000	3,028	(28)	-0-
Debt service	10,000	7,206	2,794	7,205
Total Township Hall	<u>71,000</u>	<u>50,128</u>	<u>20,872</u>	<u>45,716</u>
Community Center:				
Maintenance wages	4,000	1,661	2,339	2,030
Retirement	1,000	967	33	1,109
Mileage	200	-0-	200	-0-
Contract services	400	-0-	400	-0-
Supplies	1,300	413	887	783
Utilities	2,200	3,459	(1,259)	1,632
Repairs and maintenance	5,500	1,187	4,313	1,297
Equipment/building	3,000	1,537	1,463	-0-
Total Community Center	<u>17,600</u>	<u>9,224</u>	<u>8,376</u>	<u>6,851</u>
Cemetery:				
Maintenance wages	3,100	1,683	1,417	1,680
Retirement	1,000	925	75	1,096
Contract services	4,000	-0-	4,000	1,830
Supplies	-0-	119	(119)	103
Utilities	100	199	(99)	-0-
Repairs and maintenance	4,000	4,387	(387)	609
Equipment/building	2,000	6,815	(4,815)	-0-
Total Cemetery	<u>14,200</u>	<u>14,128</u>	<u>72</u>	<u>5,318</u>
Zoning:				
Salaries	14,500	10,630	3,870	10,222
Mileage	1,000	352	648	937
Legal	3,000	2,376	624	947
Professional services	1,000	110	890	369
Office supplies	-0-	1,254	(1,254)	1,140
Printing & publishing	2,500	832	1,668	-0-
Education/training	1,000	-0-	1,000	-0-
Total Zoning	<u>23,000</u>	<u>15,554</u>	<u>7,446</u>	<u>13,615</u>
Total General Government	<u>251,800</u>	<u>189,351</u>	<u>62,449</u>	<u>171,219</u>

TOWNSHIP OF CLEARWATER
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004 AND COMPARISON TO MARCH 31, 2003

	<u>2004</u>		Variance	Actual
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>2003</u>
Public Safety:				
Police patrol	\$ 15,000	\$ 15,000	\$ -0-	\$ 12,000
Total Public Safety	<u>15,000</u>	<u>15,000</u>	<u>-0-</u>	<u>12,000</u>
Public Works:				
Street light utilities	9,000	6,230	2,770	6,657
Repairs and maintenance	<u>4,000</u>	<u>3,920</u>	<u>80</u>	<u>5,980</u>
Total Public Works	<u>13,000</u>	<u>10,150</u>	<u>2,850</u>	<u>12,637</u>
Health and Welfare				
Hospital services	800	741	59	5,405
Health representation	<u>1,800</u>	<u>1,056</u>	<u>744</u>	<u>1,083</u>
Total Health and Welfare	<u>2,600</u>	<u>1,797</u>	<u>803</u>	<u>6,488</u>
Recreation:				
Custodian wages	9,000	10,144	(1,144)	8,440
Retirement	1,000	920	80	264
Professional services	-0-	3,648	(3,648)	-0-
Contract services	900	3,031	(2,131)	4,237
Utilities	500	186	314	209
Repairs and maintenance	3,000	2,071	929	1,569
Capital outlay	<u>20,000</u>	<u>6,000</u>	<u>14,000</u>	<u>19,034</u>
Total Recreation	<u>34,400</u>	<u>26,000</u>	<u>8,400</u>	<u>33,753</u>
Other Financing Uses:				
Transfer out	<u>20,000</u>	<u>30,000</u>	<u>(10,000)</u>	<u>30,000</u>
Total Expenditures And Other Financing Uses	<u>\$ 336,800</u>	<u>\$ 272,298</u>	<u>\$ 64,502</u>	<u>\$ 266,097</u>

TOWNSHIP OF CLEARWATER
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	<u>Fire</u>	<u>Public Improvement</u>	<u>Totals (Memorandum Only)</u>
ASSETS			
Cash and investments	\$ 16,638	\$ 117,092	\$ 133,730
Taxes receivable	<u>78,105</u>	<u>-0-</u>	<u>78,105</u>
Total Assets	<u>\$ 94,743</u>	<u>\$ 117,092</u>	<u>\$ 211,835</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 27,436	\$ -0-	\$ 27,436
Due to other funds	<u>8,284</u>	<u>-0-</u>	<u>8,284</u>
Total Liabilities	<u>35,720</u>	<u>-0-</u>	<u>35,720</u>
Fund Balance:			
Undesignated	<u>59,023</u>	<u>117,092</u>	<u>176,115</u>
Total Fund Equity	<u>59,023</u>	<u>117,092</u>	<u>176,115</u>
Total Liabilities and Fund Equity	<u>\$ 94,743</u>	<u>\$ 117,092</u>	<u>\$ 211,835</u>

TOWNSHIP OF CLEARWATER
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2004

	<u>Fire</u>	<u>Public Improvement</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Taxes	\$ 78,140	\$ -0-	\$ 78,140
Interest	529	2,144	2,673
Other	<u>8,010</u>	<u>-0-</u>	<u>8,010</u>
Total Revenues	<u>86,679</u>	<u>2,144</u>	<u>88,823</u>
Expenditures:			
Personal service	24,560	-0-	24,560
Fringe benefits	1,879	-0-	1,879
Utilities	5,504	-0-	5,504
Vehicle	2,976	-0-	2,976
Office supplies	602	-0-	602
Training & education	750	-0-	750
Insurance	8,906	-0-	8,906
Supplies/repairs/maintenance	25,275	-0-	25,275
Equipment/building	<u>50,000</u>	<u>-0-</u>	<u>50,000</u>
Total Expenditures	<u>120,452</u>	<u>-0-</u>	<u>120,452</u>
Excess:			
Revenues over (under) expenditures	<u>(33,773)</u>	<u>2,144</u>	<u>(31,629)</u>
Other Financing Sources (uses):			
Operating Transfer In	<u>-0-</u>	<u>30,000</u>	<u>30,000</u>
Total Other Financing Sources (uses)	<u>-0-</u>	<u>30,000</u>	<u>30,000</u>
Excess:			
Revenues & other financing sources over (under) expenditures	(33,773)	32,144	(1,629)
Fund Balance - April 1	<u>92,796</u>	<u>84,948</u>	<u>177,744</u>
Fund Balance - March 31	<u>\$ 59,023</u>	<u>\$ 117,092</u>	<u>\$ 176,115</u>

TOWNSHIP OF CLEARWATER
CURRENT TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash and investments	\$ 146,013
Total Assets	<u>\$ 146,013</u>

LIABILITIES

Undistributed collections	\$ 146,013
Total Liabilities	<u>\$ 146,013</u>

TOWNSHIP OF CLEARWATER
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2004

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
ASSETS				
Cash and investments	\$ 144,550	\$ 2,053,345	\$ 2,051,882	\$ 146,013
Total Assets	<u>\$ 144,550</u>	<u>\$ 2,053,345</u>	<u>\$ 2,051,882</u>	<u>\$ 146,013</u>
LIABILITIES				
Undistributed collections	\$ 144,550	\$ 2,053,345	\$ 2,051,882	\$ 146,013
Total Liabilities	<u>\$ 144,550</u>	<u>\$ 2,053,345</u>	<u>\$ 2,051,882</u>	<u>\$ 146,013</u>



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 30, 2004

Township Board
Clearwater Township
Kalkaska County, Michigan

Dear Board:

We have audited the general purpose financial statements of Clearwater Township for the year ended March 31, 2004, and have issued our report thereon dated November 30, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clearwater Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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Township Board
Clearwater Township
November 30, 2004

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clearwater Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.



ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS